

1 particularly where the price was over \$2.00.

2 What was happening was CoinMarketCap  
3 was including the price of the Korean Won to  
4 XRP market. Which was an outlier because it  
5 was difficult to move Korean Won. I don't  
6 think you could ever sell XRP for \$3.38 in the  
7 United States. So I think those price --  
8 these prices may tell a little bit of an  
9 inaccurate story. The order of magnitude is  
10 correct. But if you would ask me the amount,  
11 I probably would have said mor like [REDACTED]  
12 [REDACTED] than [REDACTED]

13 Q The chart indicates where the --  
14 when the price came from [REDACTED] in the  
15 few instances that are highlighted.

16 A Okay. Because I don't have a  
17 recollection of ever being able to get over  
18 \$3.38 as a U.S. price. But I could be  
19 remembering incorrectly.

20 Q I'll go back and confirm.

21 A Your figures could be correct. My  
22 memory so is not certain. But again, if you  
23 had asked me how much I made, I would have  
24 said it was more like [REDACTED]  
25 dollars.

1 Q The proceeds that you got, how much  
2 did you invest in other digital assets?

3 A So, the number -- the number is  
4 extremely small. It's probably around  
5 [REDACTED] But the reason that that number  
6 is small because that happened back when the  
7 prices were so much lower. Right. So it  
8 seems like that's an insignificant percentage  
9 because compared to [REDACTED] dollars  
10 to [REDACTED] But that happened  
11 back in 2015 or so. 2014, when the amounts  
12 involved were much lower.

13 Q You're saying the prices of --  
14 digital assets, in general, were much lower.  
15 The price of Bitcoin was much lower. So you  
16 could amass many more tokens for --

17 A It could have been a higher --  
18 right. It looks like it's a drop in the  
19 bucket. When actually, it was very  
20 significant. Because that diversification  
21 occurred when the total value of the portfolio  
22 was much lower. I don't want the number to be  
23 deceptive.

24 Q When you received the XRP as  
25 compensation, were there -- did Ripple place

1 any restrictions on the XRP, when or how much  
2 you could trade?

3 A There were no restrictions beyond  
4 the same restrictions that I had on me  
5 previously at that time. I was already  
6 subject to trading restrictions and they  
7 remained in place.

8 Q When you sold, were you cognizant of  
9 whether the sales would have an effect on  
10 price?

11 A I was not personally, no.

12 Q Did you report any of your  
13 transactions to the company?

14 MR. CERESNEY: Go ahead.

15 A These -- the transactions after --  
16 the transactions that occurred after this  
17 point --

18 MR. CERESNEY: After which point?

19 THE WITNESS: Certainly after June  
20 2019 and probably a little bit before that,  
21 too.

22 A -- were subject to a trading plan  
23 that I had submitted to Ripple's -- either to  
24 legal or compliance.

25 Q During what period?

1           A     Certainly -- certainly after June  
2     2019. I don't recall exactly when that  
3     requirement went into place. There were a  
4     number of different requirements on what I was  
5     able to buy or sell. Restrictions, I should  
6     say. And then at that time, the restriction  
7     was that I had to submit a trading plan to the  
8     company prior to any trade. So they were  
9     aware of these trades before they happened.

10           MR. CERESNEY: "These trades" being  
11     2019?

12           THE WITNESS: Certainly after June  
13     2019.

14           Q     Is it fair to say that you purchased  
15     the XRP as an investment?

16           A     No, I don't think that's fair to  
17     say. It seems so obvious in hindsight. But  
18     at the time, the value was so low, it was more  
19     about being able to enable people to use the  
20     ledger. It was about being able to access the  
21     decentralized exchange. It was about being  
22     able to make markets. I mean, could you say  
23     that somewhere there was some hope that  
24     everybody would become fantastically wealthy  
25     because the entire space would take off? I



1 mean, sure, people had conversation like that.

2 It wasn't anybody's realistic expectation.

3 Q Did you expect that you would  
4 actually use all the XRP that you purchased on  
5 the ledger for -- yeah. That you would use  
6 it?

7 A Well, the problem is I didn't know  
8 whether the amount I had -- like I didn't  
9 know -- I didn't know what the amounts meant.  
10 Like would [REDACTED] be a lot. Or  
11 would it be a little. We didn't know what the  
12 use case would be. It was entirely  
13 speculative at that time.

14 I think I did have some anticipation  
15 that if the cryptocurrency market were  
16 successful, then my sort of portfolio of  
17 cryptocurrencies as a whole would become more  
18 valuable. I really wasn't betting on specific  
19 projects because I didn't think that I could  
20 tell which ones would be successful, which  
21 wasn't. It was more like a play on the entire  
22 space.

23 So I kind of diversified into  
24 Bitcoin and Ethereum and XRP. And later on,  
25 you know, many of the different ICOs. I

1 certainly have losses in the ICO portion of my  
2 portfolio that compared with these gains. I  
3 think there certainly was some idea that  
4 cryptocurrency will take over the world and  
5 we'll all become fantastically wealthy. I  
6 think that was definitely an idea that some  
7 people had. But it was -- I would have  
8 brought a lot more if it was realistic.

9 Q Did you not bet on the success of  
10 Ripple as a company?

11 A I bet on the success of Ripple as a  
12 company when I took stock as compensation from  
13 the company. I think I bet on the  
14 cryptocurrency space generally when I acquired  
15 all of these various different  
16 cryptocurrencies.

17 Q Did you think that the company  
18 efforts to build the XRP ecosystem and create  
19 demand for XRP would benefit -- would lead to  
20 an increase in price of XRP?

21 A I thought it could benefit the  
22 cryptocurrency space, generally, to have good  
23 actors in it. But I didn't specifically think  
24 that the company's efforts would impact the  
25 price of XRP as opposed to growing the

1 cryptocurrency generally.

2 Q Then why did you buy so much XRP on  
3 open market?

4 A The same reason that I acquired a  
5 lot of Bitcoin and these other things. I was  
6 very -- I was very bullish on the entire  
7 space. I thought everything that was going on  
8 in the space was exciting. And so I acquired  
9 what seems today, to be a large amount. At  
10 the time, it didn't seem to be. If you look  
11 at the dollar amount back then, it didn't seem  
12 to be a particularly large amount back then.  
13 Just because I was so interested in the space.

14 Q Did you think that the space -- the  
15 prices were going to increase in the space in  
16 general as opposed to Ripple's efforts not  
17 having any effect on the price of XRP?

18 A I thought that it was possible that  
19 prices would appreciate in the space as a  
20 whole.

21 Q Did you believe it was possible that  
22 Ripple's efforts would have a positive effect  
23 on XRP price?

24 A That was not in my thinking.

25 Q Not at all?

1           A     No. I may have thought that Ripple  
2     would have positive effects on the space  
3     generally as other participants in the space  
4     did. But I didn't have the expectation that  
5     Ripple's efforts would increase the price of  
6     XRP.

7           Q     If you didn't have an expectation,  
8     why would you -- why would you put so much  
9     money into XRP and not put it into any other  
10    asset?

11          A     I did. I put it into Bitcoin. I  
12    put it into Ethereum.

13          Q     How much did you put into Bitcoin?

14          A     Well, I started out exclusively in  
15    Bitcoin. I got Bitcoin from early mining and  
16    buying when the price was extremely low. I  
17    think there was a time when my portfolio  
18    reached something like [REDACTED] Bitcoin,  
19    [REDACTED] XRP. Because it was one of the  
20    dominant projects at that time.

21                And I think also because I knew  
22    everybody in the space. I think you naturally  
23    kind of have more confidence in a project when  
24    you -- you know, I was involved in the  
25    development of the XRP Ledger. I was talking

1 to the people who were developing in the  
2 space. I also invested in several other  
3 projects.

4 Q So you said you had more confidence  
5 in the project since you worked at Ripple and  
6 you --

7 A Well, since I was working on the XRP  
8 Ledger. Even before -- even before Ripple  
9 existed as a company, I built a lot of the  
10 software technology. I participated in the  
11 technical decisions. And that gave me a level  
12 of confidence that I think I might not have  
13 had otherwise, but that's speculative.

14 Q Did the company monitor any of your  
15 posts on Reddit, Bitcoin Forum or Quora?

16 A I don't know for sure. I -- I  
17 believe -- I believe that they at least  
18 monitor Twitter.

19 Q How do you know they monitor  
20 Twitter?

21 A I had heard that they had become  
22 aware of people who were impersonating me.  
23 And that they had made reports to get accounts  
24 shut down. I don't know how they would have  
25 found that out if they weren't monitoring it.



1           Q     Did anyone at Ripple ever try to  
2     sensor or tell you not to post something?

3           A     There have been times where I've  
4     been told not to discuss specific subjects,  
5     like pending litigation and so on.

6           Q     Other than that, did they ever tell  
7     you not to discuss price?

8                     MR. CERESNEY:  Actually, other than  
9     discussions with counsel.

10                    MS. WAXMAN:  Sure.

11           A     No, I don't believe so.

12           Q     Did anyone at the company encourage  
13     you to post information and -- on any of these  
14     forums?

15           A     I think at times, definitely people  
16     in the company told me that they -- that they  
17     liked some of the stuff that I was posting.  
18     Or that they found it interesting.  I think I  
19     received -- I wouldn't call -- I think it  
20     would be fair to characterize it as  
21     encouragement.

22           Q     Did your postings promote XRP to  
23     potential purchasers?

24           A     I would say they promoted the XRP  
25     Ledger to potential users and adopters.  I

1 don't know that -- I don't know that I would  
2 characterize it the way you did.

3 Q I want to go back to what was marked  
4 as Exhibit 76. Let's look at page twenty-one.  
5 Sorry, not that one. If you go to post number  
6 forty-nine on page twenty-two, the middle  
7 paragraph.

8 A Yes.

9 Q You compare -- my understanding --  
10 I'm reading this, my understanding is that you  
11 are comparing Ripple's current planned efforts  
12 in the payment space as something massive, as  
13 a massive undertaking.

14 What did -- can you tell me what  
15 undertaking -- what that involved? What those  
16 efforts involved?

17 A As of January 2017?

18 Q Mm-hmm.

19 A I think that was the time that we  
20 were solidly executing what I previously  
21 described as the RippleNet strategy. Where we  
22 were trying to figure out how to build  
23 software that enterprises could use for their  
24 payments. And deliver a payment network that  
25 banks and financial institutions could use to

1 coordinate their payments.

2 Q We are talking about -- were you  
3 also talking about Ripple's efforts to  
4 increase XRP liquidity and increase XRP  
5 demand?

6 A I don't think I was in that  
7 paragraph. There's nothing in there that  
8 suggests to me that that's what I was talking  
9 about. You may be focusing on the words  
10 "market traction." But I suspect that what I  
11 meant there was market traction with the  
12 RippleNet strategy. I'm not a hundred percent  
13 sure.

14 Q If you go to the next page, post  
15 number fifty-two, at the very bottom.

16 A Yes.

17 Q What -- what issue are you  
18 responding to? Are people accusing the  
19 company of dumping XRP?

20 A It's not entirely clear just from  
21 that. But I suspect, just from my response,  
22 that that would have been what I was  
23 responding to. But I can't specifically see  
24 what I'm responding to. I suspect, just from  
25 my own wording, that I was responding to --

1     yeah. Because if you look up at post  
2     fifty-one, it cites another post from Spetnik  
3     that talks about Ripple dumping.

4           Q     At the very last sentence of the  
5     photograph, it says, "Anyone who holds XRP,  
6     particularly those who are contractually  
7     prohibited from dumping, shares our interest  
8     in seeing the price appreciate over the  
9     long-term."

10          A     Yes.

11          Q     Is that still your view?

12          A     It is -- it's my view that those who  
13     hold -- it's my view that those who hold XRP  
14     and who are prohibited from divesting  
15     themselves of it in the short-term, would have  
16     an interest in the price over the long-term.  
17     Either holding steady or appreciating.

18          Q     What about purchasers of XRP on the  
19     open market?

20          A     They wouldn't be necessarily be as  
21     concerned about the long-term price because  
22     they could close out their position at any  
23     time. They don't share the specific concerns  
24     over the long-term price.

25          Q     It says, "Shares our interest in

1     seeing the price appreciate."

2             So do they have an interest in  
3     seeing the price appreciate, regardless over  
4     how long a period of time?

5             A     Well, someone who holds the asset  
6     who doesn't have -- is not subject to any sort  
7     of lock up, doesn't necessarily care about  
8     what happens to the price over time. They  
9     obviously would probably prefer to sell the  
10    price -- to sell at a time when the price is  
11    higher than it was when they bought in. But  
12    it doesn't matter to them what happens to the  
13    price after that. They don't have this  
14    interest in the long-term health for the  
15    space.

16            Q     Can you turn to page twenty-six,  
17    post number fifty-seven. It talks about the  
18    civil enforcement action by FinCEN.

19            A     Yes.

20            Q     MPA.

21            A     Yes.

22            Q     Why did that -- you say at the very  
23    end, "I think in retrospect, that actually  
24    helped us."

25            A     Yes.



1 Q Why did that help the company?

2 A I think there were a variety of  
3 reasons. Again, this is my -- my opinion.  
4 And I'll -- I'll tell you what I thought and  
5 why I thought it. The -- many of our  
6 customer -- we initially thought that like  
7 this settlement with FinCEN would almost be  
8 like a death sentence. Because we were trying  
9 to do -- we were a small young company trying  
10 to do business with very conservative  
11 established companies, like banks and  
12 financial institutions.

13 And this idea of having sort of a  
14 black mark from a significant federal  
15 regulator would essentially be -- would make  
16 us almost untouchable in the space. But as it  
17 happened, it was much the reverse. A lot of  
18 the companies that we were doing business with  
19 had themselves had, you know, various  
20 different small issues at various times.  
21 But --

22 THE WITNESS: I'm making him  
23 nervous.

24 MR. CERESNEY: No --

25 A But I think more importantly, the

1 perception was that we wouldn't have been able  
2 to get a non-prosecution agreement if FinCEN  
3 thought that something we were doing at the  
4 time was fraudulent or illegal. And that --  
5 essentially what they thought was that in the  
6 process of obtaining that agreement, we must  
7 have made an enormous number of disclosures  
8 both to FinCEN and to the U.S. attorney's  
9 office and that they would have look very  
10 closely at what they were doing. And that the  
11 agreement reflected what they found.

12 If they thought the company as whole  
13 was fraudulent, if we were tied to something  
14 unlawful, if there was something else, it  
15 would have been found. So it was sort of  
16 interpreted as well, if this is the worst that  
17 the federal government could find, then that's  
18 probably okay.

19 Q Were there any effects of the  
20 settlement on Ripple's business? How did it  
21 affect Ripple's business; if at all.

22 A It did effect our business because  
23 there were numerous things that we agreed to  
24 do in that agreement. And obviously we had to  
25 do all of those things. It led to us

1 abandoning the wallet. And it led to changes  
2 inside our Compliance Department and  
3 reporting.

4 Q Did the agreement require Ripple to  
5 abandon the wallet or was that a decision the  
6 company made on its own?

7 A It's very close to between those  
8 two. It put so many restrictions on it that  
9 it would not have been competitive in the  
10 market. You can argue, sure, Ripple could have  
11 complied without eliminating the wallet. But  
12 it would have effectively -- it would not have  
13 been competitive in the space.

14 Q At that point, did Ripple shift from  
15 a retail focus to an enterprise focus?

16 A I believe we had already done that  
17 prior to that settlement, but I'm not sure.  
18 That's another reason why the settlement was  
19 not as devastating to us as it would have  
20 been. Initially, if we were very focused on  
21 retail adoption and a wallet as part of that,  
22 then that would have made it much more  
23 difficult. But we had already pivoted away  
24 more towards the enterprise strategy. So  
25 that's probably another reason why the

1       agreement was not as devastating to us as we  
2       thought it might have been.

3           Q     At the very last sentence, it says,  
4       "If you are ever in San Fran, let me know.  
5       I'll buy you a beer and tell you the real  
6       story of that action."

7           A     Yes.

8           Q     I think we both -- I don't have a  
9       beer, but can you tell me what you were  
10      talking about?

11           MR. CERESNEY: On this, I just want  
12      to caution you that obviously counsel was  
13      involved in this. And I imagine you had  
14      discussions with counsel about it. So I just  
15      want to -- and even if you offered to have a  
16      beer with somebody, that would not be SEC  
17      testimony. I would have instructed you to  
18      have that limitation there, too. But --

19           Q     Well, have you ever discussed the  
20      details with anyone?

21           A     No, I have not.

22           Q     At any point?

23           A     No. No.

24           Q     Is there anything you -- what were  
25      you talking about that you could tell us?

1           A     I think I was primarily talking  
2     about FinCEN's concern with our interactions  
3     with [REDACTED] who was an early investor in  
4     the company.

5           MR. CERESNEY: Hold on. Do you know  
6     that from anybody other than from counsel?

7           THE WITNESS: No, I don't.

8           MR. CERESNEY: Okay. So I'll  
9     instruct him not to answer.

10          MS. WAXMAN: Okay.

11          MR. CERESNEY: Just one thing. We've  
12     been going for an hour fifteen. I don't know  
13     if it's a logical breaking point, but whatever  
14     is a logical time.

15          MS. WAXMAN: We can break now.  
16     That's fine. We are off the record at 4:26.

17                 (A brief recess was taken.)

18          MS. WAXMAN: We are back on the  
19     record at 4:41.

20          Q     Mr. Schwartz, we saw on your  
21     background questionnaire that up until 2016,  
22     you were a member of the Ripple board of  
23     directors, correct?

24          A     Yes.

25          Q     How did it happen that you no longer



1 became a member?

2 A We had -- we had taken on more  
3 investors and some of them wanted board seats.  
4 And then other people, like industry experts  
5 and so on, that we wanted on the board of  
6 directors and there just weren't enough seats  
7 to go around, so I agreed to step down.

8 Q Any other reason?

9 A No, that was the only reason.

10 Q Did you use Slack for internal  
11 communications at Ripple?

12 A Yes.

13 Q With whom would you communicate with  
14 on Slack?

15 A All of the other employees of the  
16 company.

17 Q How often did you use Slack?

18 A It's varied. It's become a little  
19 bit less often over time as my role has become  
20 less active in the sort of day-to-day  
21 low-level execution. But there were certainly  
22 times where it was one of the primary means  
23 that I used to communicate with the team.

24 Q When you say, "communicate with the  
25 team," who are you referring to?

1           A     XRP Ledger developers. Most of them  
2     were remote and so Slack was our primary  
3     communication tool.

4           Q     Did you communicate with others  
5     outside of the group of engineers?

6           A     Yeah. Later on, that became more  
7     common. Initially, it was -- it was fairly  
8     closed, only to employees. Then later on,  
9     there were -- there were portions of the Slack  
10    that were open to non-employees.

11          Q     I meant to say outside of the group  
12    of developers, did you use Slack to  
13    communicate to others outside that group?

14          A     Oh, yeah. Certainly.

15          Q     Did you use e-mail?

16          A     Yes.

17          Q     How often did you e-mail as compared  
18    to use Slack?

19          A     I think Slack would have been the  
20    preferred means of communication. E-mail  
21    would have been more common if it was  
22    something that needed to go to multiple people  
23    if it required revisions and more  
24    conversational. But for me, at least, Slack  
25    was my primary means of communication.

1           Q     How widely was Slack used among  
2 other employees at Ripple?

3           A     I think the vast majority of  
4 employees used Slack as -- if not their  
5 primary means, certainly as a very significant  
6 means of communication.

7           Q     During what period of time?

8           A     Since very early. Since we first  
9 switched to Slack. Probably in 2013. Perhaps  
10 even earlier.

11          Q     Does the company preserve its Slack  
12 communication?

13               MR. CERESNEY: Do you know?

14          A     I have no idea.

15          Q     What kind of subscription agreement  
16 does the company have with Slack; if you know?

17               MR. CERESNEY: Do you know?

18          A     I don't know.

19          Q     Do you know if it's more than the  
20 free service?

21          A     I don't.

22          Q     Who would know?

23          A     I suspect [REDACTED] would know.  
24 But I don't know for sure who would know.

25               MR. CERESNEY: Just for the record,

1 I mean, if you have questions about this, we  
2 are happy to look into them and get back to  
3 you as opposed to --

4 MS. WAXMAN: We do. Sounds good.

5 MR. CERESNEY: As opposed to asking  
6 him.

7 (SEC Exhibit No. 82 was  
8 marked for  
9 identification.)

10 MR. DANIELS: We are showing you a  
11 document marked as Exhibit 82. It is from XRP  
12 Chat. Unfortunately, it doesn't have page  
13 numbers. But if you turn to the third page of  
14 the document, you see the posted title "If  
15 Ripple Failed, XRP Died?"

16 Do you see that?

17 THE WITNESS: Yes.

18 MR. DANIELS: Two pages later, it  
19 says, "If Ripple Labs success is sustainable  
20 XRP can be alive or died. So XRP is very tied  
21 to Ripple Labs? And Ripple Labs not really  
22 tied towards XRP."

23 Do you see that?

24 THE WITNESS: Yes, I see that.

25 MR. DANIELS: Several pages later,

1     you respond. If you turn towards your  
2     picture.

3             THE WITNESS: Yes, I see.

4             MR. DANIELS: At the beginning, on  
5     June 3, 2016, you say, "I don't think it's  
6     likely XRP would be succeed without us,  
7     although it's possible. I do think it's  
8     possible for us to succeed without XRP  
9     succeeding as we do have other sources of  
10    revenue."

11            Can you just explain what you meant  
12    by "I don't think it's likely XRP would  
13    succeed without us."

14            THE WITNESS: Well, at the time --  
15    at the time, I believe, the cryptocurrency  
16    market was kind of -- was kind -- give me a  
17    second.

18            It's difficult for me to put my head  
19    in June 2016. But I think a theme that I had  
20    a lot was that the road to developing a  
21    successful -- the road to a successful  
22    cryptocurrency was -- was speculative and that  
23    a lot of projects would fail. And I think  
24    that's what I was referring to.

25            MR. DANIELS: And that the success



1 of this cryptocurrency XRP was in some ways  
2 tied to the company, Ripple Labs?

3 THE WITNESS: I'm making a very  
4 weak-tied argument that I didn't think it was  
5 likely XRP would succeed without -- and I  
6 think -- I used the word "us" here. And I  
7 would -- I kind of interpret that as referring  
8 to the group of people who were working on it  
9 and not necessarily just the company. I would  
10 just caution that success of the XRP Ledger  
11 was very speculative at the time under any  
12 circumstances.

13 MR. DANIELS: This post was in June  
14 2016. Has your viewed changed regarding your  
15 relationship between XRP and Ripple Labs?

16 THE WITNESS: It has. At this time,  
17 what I think is that if the cryptocurrency  
18 space in general was successful, I think a  
19 rising tide is going to lift all boats. I  
20 think if the cryptocurrency space generally  
21 collapses, then few, if any, projects will  
22 survive. Which sounds a little bit fatalist.  
23 But it means that kind of we are working for  
24 the success or the failure of the space as  
25 opposed to the individual projects.

1 I think I say that, actually. Now  
2 that I look at this. I think if you look on  
3 the next page, I talk about that. Where I  
4 say, "It seems like a better strategy to grow  
5 the cryptocurrency pie, than to pick a fight  
6 with a strong player for a bigger slice of  
7 it." I guess my thinking was somewhere in  
8 transition between those ideas at that time.

9 Q But when you are talking about  
10 growing the cryptocurrency pie as opposed to  
11 picking a fight with a stronger player, are  
12 you comparing XRP with Bitcoin?

13 A I think here, I'm specifically  
14 limiting it to that. I thought about it more  
15 broadly than that. But I think I'm, at least,  
16 using that as an example to make that point.

17 Q Have you ever heard of the term  
18 "Five-Bells"?

19 A Yes.

20 Q What does that refer to?

21 A Five-Bells was an internal code name  
22 at Ripple for what later became Interledger.

23 Q And why did you use an internal code  
24 name to describe it?

25 A You just needed some kind of a name

1 to talk about -- to talk about something so  
2 that you could refer it -- so everyone knew  
3 what everyone was talking about. And I think  
4 [REDACTED] came up with the name Five-Bells.

5 Q If the XRP Ledger failed, could  
6 Ripple develop a business model around ILP?

7 A Yes.

8 Q And how would they generate revenue  
9 from that?

10 A There's a lot of different ways. And  
11 it comes down to they're very much the same  
12 sorts of revenue models that we were talking  
13 about before. Ripple could put itself inside  
14 the transaction flow and get fees on  
15 transactions. Because Interledger is not a  
16 public -- it's not a public ledger. It's a  
17 protocol. Someone needs to run the sort of  
18 instances that hold -- that hold state and  
19 perform operations. That could be Ripple who  
20 could extract transaction fees.

21 You could imagine that we sell  
22 software, we sell wallets or we monetize the  
23 data from people using the wallets. All of  
24 the -- all of the same -- all of the same  
25 thinking that we happened to have in the early

1 days of Ripple applied to a strategy booked  
2 around the Interledger. Other than monetizing  
3 the token.

4 Q Would these products and services  
5 involve the use of XRP?

6 A Well, if you are imagining the XRP  
7 Ledger failing, then they probably wouldn't.  
8 But if you imagine the strategy that -- you  
9 could imagine either course.

10 Q Is the company pursuing this  
11 strategy with respect to ILP now?

12 A Yes.

13 Q Does the company generate revenue  
14 from products and services related to ILP?

15 A No. !!!

16 Q Do you anticipate -- does the  
17 company anticipate at some point generating  
18 revenue from ILP?

19 A I think -- I think that would be  
20 very speculative at this time. I think our  
21 goal more is to promote the technology,  
22 largely as way of avoiding lock-in. ILP works  
23 with every cryptocurrency. So if you adopt  
24 Interledger -- I'll be using Interledger and  
25 ILP interchangeably.

1           If you adopt Interledger, you can  
2     interact with any cryptocurrency. You can  
3     interact with XRP or Ethereum or Bitcoin. So  
4     you are not locked in. Whereas there are  
5     other technologies that other people are  
6     promoting that do lock you in either to  
7     cryptocurrencies or -- to specific  
8     cryptocurrencies. Lightning would be a good  
9     example. And so, most of the rationale behind  
10    our Interledger strategy is to give people the  
11    flexibility to use whatever digital asset they  
12    want, rather than getting locked in so that  
13    they get better experiences.

14           Q     Is -- is what you talked about just  
15    now about revenue from transaction fees part  
16    of your ILP strategy?

17           A     It's not at this time. That's --  
18    it's more about avoiding lock-in at this time.

19           Q     When you say, "avoiding lock-in,"  
20    meaning, being -- does that mean not being  
21    tied to XRP?

22           A     It -- it mean -- broadly, it means  
23    not having your choice of what digital asset  
24    to use. So for example, even if XRP was the  
25    best digital asset for your -- let me -- let



1 me back up a second.

2 Let's say you built on top of  
3 Ethereum because you like Ethereum's features.  
4 You can't use XRP on Ethereum, you can't use  
5 Bitcoin on Ethereum. You can't get to those  
6 assets. So you are sort of locked in to using  
7 assets in the Ethereum ecosystem, even if  
8 they're not the best assets for you to use.  
9 If you use a technology like Interledger, you  
10 are not locked in to any particular asset.  
11 You can use whatever asset is better -- works  
12 best for you.

13 Our primary concern was that people  
14 would get bad experiences because they would  
15 be locked into technologies that didn't allow  
16 them to use the assets that were best. And I  
17 think it's fair to say secondarily, that would  
18 mean that they would tend to get locked into  
19 assets other than XRP so that they couldn't  
20 use XRP, even if it was the best choice for  
21 them.

22 Q Could it also be if -- if XRP was  
23 not the best asset, ILP would -- the company  
24 users could use ILP with a different asset?

25 A Right. And so the users would get a

1 better experience, even if XRP was not the  
2 best asset for them and there's no way that  
3 they would ever use XRP because it's  
4 absolutely terrible for their use case, they  
5 can still adopt Interledger and they can still  
6 be a part of an ecosystem that XRP could  
7 participate on sort of evenly with other  
8 assets. And then every -- that's better for  
9 everyone because everybody gets a choice of  
10 the asset that works best for them.

11 Q Early on, was Five-Bells seen as a  
12 hedge against the XRP Ledger strategy?

13 A I didn't see it that way. I don't  
14 know whether or not other people did.

15 Q Are you involved in any of the  
16 development of ILP?

17 A I'm not directly involved with the  
18 day-to-day development. I do sit in meetings  
19 where strategy is discussed and progress is  
20 reported. But I'm sort of outside that chain  
21 of command. So it's more just -- just  
22 monitoring and providing advice when asked.

23 (SEC Exhibit No. 83 was  
24 marked for  
25 identification.)

1           Q     I'm showing you what has been marked  
2 as Exhibit 83, which is an AMA on Reddit.

3           A     Yes.

4           Q     Which I believe stands for Ask Me  
5 Anything.

6           A     Yes.

7           Q     If you look at the first page, the  
8 first post, is this what we spoke about  
9 earlier, about Ripple engineers adding certain  
10 features to the XRP Ledger?

11           MR. CERESNEY:   What's the date of  
12 this post?   Do you know?

13           MS. WAXMAN:   At the very top -- I'm  
14 not sure about this -- it says 7/3/2018.

15           MR. CERESNEY:   That wasn't the date  
16 of the printing?

17           MS. WAXMAN:   I'm not sure if  
18 that's --

19           MR. CERESNEY:   I see.   I see post --  
20 yeah, it looks like it's July.

21           THE WITNESS:   That sounds about  
22 right.   I do have somewhat of a recollection.

23           MR. CERESNEY:   Sorry.

24           Q     On the very first page, the very  
25 bottom, it talks about the escrow, the payment

1 channels for off chain scalability. Is that  
2 what we were talking about earlier, about the  
3 development of features --

4 A Yes.

5 Q -- for the XRP Ledger?

6 A Yes.

7 Q If you turn to the next page, the  
8 third page, in the middle of the page, it  
9 talks about, it says, "Ripple has a team of  
10 talented developers working on improving the  
11 scalability and reliability of the XRP  
12 Ledger."

13 A Yes.

14 Q "We are also constantly evaluating  
15 the ledger's features set and looking for ways  
16 to make the ledger more powerful." Is that  
17 what we were talking about earlier?

18 A Yes.

19 Q If you turn to -- there are no page  
20 numbers --

21 A There are tiny page numbers on the  
22 bottom right.

23 Q You are right. On page eight. Can  
24 you generally explain to me how Codius is  
25 integrated into the ledger?

1           A     It's currently -- it's currently  
2     not. Codius was an idea that originated  
3     Primarily with [REDACTED] at Ripple. We  
4     initially did some development on it. We  
5     subsequently paused development because we  
6     didn't think the market was ready for it. And  
7     then we sort of reconsidered resuming  
8     development on it. And it's currently paused.  
9     Codius is a computer platform, similar to what  
10    Ethereum provides. But it's not tied to any  
11    particular public ledger. It can interact  
12    with any public ledger.

13          Q     If you turn to the next page, page  
14    nine. In the middle of the page, you talk  
15    about XRP as compared to other assets.

16          A     Yes.

17          Q     What three things set XRP apart from  
18    any other digital asset?

19          A     Well, in this statement, I said it  
20    was the team of professional at Ripple, a  
21    focus use case and a set of customers finding  
22    business value in it.

23          Q     I think you also said, "A coherent  
24    strategy to drive adoption for that use case."

25          A     I want to clarify something here,



1     though. The question was a little bit  
2     ambiguous about whether they were talking  
3     about the digital asset or Ripple the company.  
4     And I think the answer sort of reflects the  
5     sloppiness of the question. Which I think  
6     is -- which I think is a little bit  
7     unfortunate.

8             Like if you see, it says there's a  
9     lot of talk of the XLM and XRP. What really  
10    sets your company apart or rather XLM and XRP  
11    [REDACTED] and Ripple apart. So it's a little  
12    bit of a confusing question. And so,  
13    unfortunately, rather than clarifying it, I  
14    think it gave a little bit of a confused  
15    answer. I answer a very large number of --  
16    they ask me anything. You have a very limited  
17    amount of time and you are trying to answer as  
18    many of the questions that people ask as you  
19    can.

20            It's an even worse situation than --  
21    at least on Twitter, you have the option not  
22    to answer a question or you can say, "Oh, I  
23    really need to stop and think about this." I  
24    just want to put in context that this -- this  
25    is a case where you are trying to answer as

1 many questions as you possibly can in a short  
2 period of time. And they aren't necessarily  
3 well formed questions or even well thought out  
4 question. They're outvoted by a crowd. So it  
5 produces a sort of worse than usual result.

6 Q What did you mean by a coherent  
7 strategy to drive adoption for the XRP use  
8 case?

9 A I -- I think I was talking -- this  
10 is four months ago. I think I was talking --

11 MR. CERESNEY: It's a year.

12 THE WITNESS: Sorry. Right. That's  
13 right.

14 MR. CERESNEY: Year and six months  
15 ago.

16 A I think we were -- this was after we  
17 launched ODL. So I think what I was thinking  
18 about was Ripple strategy to launch ODL to  
19 drive -- as a production use case using XRP as  
20 a vehicle currency. I think what I'm saying  
21 here is that that would sort of -- that would  
22 sort of -- that will sort of provide a path to  
23 growing liquidity.

24 Q And at the time, ODL was being  
25 referred to as xRapid, correct?

1           A     That's correct. But it's hard to  
2     say because this is a very short answer to a  
3     very ambiguous question. So it's difficult  
4     to -- you can almost attach it to any longer  
5     thought that you want.

6           Q     I asked this earlier, but I'll ask  
7     again. Why were you trying to set XRP apart  
8     from other digital assets?

9           A     I think there was a perception at  
10    the time that -- that I was trying to address  
11    that there was no reason for anything other  
12    than Bitcoin to exist, that Bitcoin sort of  
13    solved every possible problem or met every  
14    possible use case.

15               And I think maybe Ethereum might  
16    have sort of edged out a little space as well.  
17    You can't use sort of Bitcoin as a world  
18    computer and so Ethereum sort of has. And I  
19    think what I was trying to do is I was trying  
20    to make the argument that there was -- that  
21    there was space for another cryptocurrency to  
22    exist in the world.

23           Q     Well, you are not really talking  
24    about the features of XRP or the ledger. Or  
25    the benefits of the, you know, proof of work.

1 You are talking more about Ripple.

2 A Well, there's a distinction between  
3 why I'm making an argument and the argument  
4 that I'm making. I think that the argument  
5 that I'm making is what you see here. But I  
6 think the reason that I would have made  
7 arguments like that was to argue both that  
8 there was a -- that Ripple had some sort of a  
9 reason to exist and that XRP sort of had some  
10 use case.

11 Q What was Ripple's reason to exist?

12 A Ripple's reason to exist at this  
13 time would have been to pursue -- to build up  
14 payment network that would allow enterprises  
15 to settle using digital assets.

16 Q Specifically XRP?

17 A Certainly, our focus was on XRP. But  
18 we would have -- we certainly would have  
19 allowed customers to use any digital asset  
20 that they want. Our focus at that time was  
21 very much on giving customers good experiences  
22 so that we would have customers.

23 Q Can you use any digital asset you  
24 want with xRapid?

25 A It's technologically possible to.

1 The product isn't always set up to do it. We  
2 did definitely set it up to use Bitcoin at one  
3 time, and there hasn't really been demand.  
4 But it's not difficult to adjust the system.  
5 The -- the -- the problem you run into is that  
6 the movement of Bitcoin from one exchange to  
7 another typically will take about an hour.  
8 And so the ninety -- if the ninety seconds is  
9 critical to the reason that you are adopting  
10 it, then taking over an hour for a  
11 transaction, that makes the use case less  
12 compelling.

13 There are digital assets that have  
14 other combinations of characteristics and it's  
15 certainly possible that you could find other  
16 ways that the product would still be useful.  
17 You could even find markets where if it takes  
18 an hour, that's fine. Maybe you are just  
19 rebalancing, you know, all of your -- maybe on  
20 Thursday, you are preparing all of your funds  
21 for Friday and it's okay if it takes an hour.

22 So there would be use cases. But  
23 you couldn't really target the use case that  
24 we thought was the sweet spot, which were  
25 those remittances. I think if it took an hour



1 or, you know, if the liquidity was less, I  
2 think that would be -- it wouldn't -- you  
3 would choose different -- you would choose a  
4 different strategy.

5 Q But Ripple could tweak the xRapid  
6 product to adapt it to other currencies. May  
7 not be Bitcoin. Bitcoin may not work for  
8 different use cases or different customers.  
9 So could be -- Bitcoin could be --

10 A Right.

11 Q -- XLM or whatever?

12 A You could imagine a scenario where  
13 XRP fails and Ripple switches ODL to work some  
14 other way. Or to some -- there's some market  
15 that's better linked with another digital  
16 currency. And so forth. Again, it's  
17 speculative but it's technically possible.

18 (SEC Exhibit No. 84 was  
19 marked for  
20 identification.)

21 Q I'm showing you what has been marked  
22 as Exhibit 84, which is post on Reddit on July  
23 3, 2018.

24 MR. CERESNEY: Same day as the other  
25 one.

1 MS. WAXMAN: Yes.

2 Q And it looks like these are just a  
3 compilation of your posts. So you don't see  
4 people -- other people's comments. And I'm  
5 not sure if it's the 7/3/2018. Could be the  
6 date I viewed it.

7 A See if I -- if I have a recollection  
8 or --

9 MR. CERESNEY: The only thing is,  
10 I'm just going to ask, sometimes the question  
11 is helpful for context for the response. So  
12 let's see what you are going to ask and then  
13 he can figure it out.

14 A Is there a particular one you want  
15 to draw my attention to?

16 Q Sure. Page four.

17 (The witness examined the document.)

18 Q The one that starts --

19 A "First" --

20 Q "First, Ripple has" -- the very top  
21 of the page, you write, "First, Ripple has a  
22 direct financial interest in the value of XRP  
23 being as high as possible. The higher the  
24 price of XRP, the more value Ripple can  
25 extract for its shareholders from its XRP and

1 the greater Ripple ability to use XRP to  
2 incentivize its partners."

3 A Yes.

4 MR. CERESNEY: Just take a look at  
5 the prior page. It looks like he's responding  
6 to a comment on the prior page.

7 MS. WAXMAN: Yeah.

8 A Yeah. Above volatility being bad.

9 Q How is Ripple going to try to get  
10 XRP to have a high price?

11 A Ripple did not have a strategy to  
12 get XRP to have a high price.

13 Q Did it have a strategy to increase  
14 demand?

15 A Ripple had a strategy to increase  
16 adoption, increase the performance and  
17 stability of the XRP Ledger to add features to  
18 it.

19 Q Was that strategy, would that  
20 strategy increase the price of XRP?

21 A It could have an indirect effect on  
22 the price by increasing demand. But that  
23 wasn't -- that wasn't the objective of the  
24 strategy.

25 Q Why did you tell people that Ripple

1 has a direct interest in the value of XRP  
2 being as high as possible?

3 A Usually, and I can't tell you if  
4 this is the case in this particular place  
5 where I did it, but generally it's because  
6 there was a -- there were people spreading the  
7 opinion that Ripple wanted a low price for  
8 XRP, because that would make it cheaper for  
9 partners or -- or that that would create a  
10 perception that there was sort of a more  
11 upward room for the price to increase or other  
12 types of arguments that were sort of  
13 nonsensical auspicious. And so to combat  
14 that, I made arguments for the opposite  
15 proposition.

16 Q I understand that higher prices have  
17 the -- make it cheaper to make payments. But  
18 higher prices also benefit Ripple, correct?

19 A Correct.

20 Q Because the more -- the higher the  
21 price of XRP, the more money they can get from  
22 sales?

23 A That's correct.

24 Q At the bottom of that page, you talk  
25 about XRP price getting to as high as \$20.00

1 or higher.

2 A Yes.

3 Q Why did you think -- or how did you  
4 think XRP's price could climb to \$20.00?

5 A It's unfortunate that you don't have  
6 the question that I was responding to here.  
7 But my recollection is that someone was  
8 talking about a specific valuation model where  
9 you look at the sort of -- the -- the  
10 potential value that something could have by  
11 looking at what it captures.

12 So for example, if you were looking  
13 at the value of a car, you look at sort of the  
14 value that horses capture. And you think,  
15 well a car can capture all of the value of the  
16 horse. If the car displaces the horse, then  
17 the value -- then the -- the value of the  
18 problem that the car solves could be reflected  
19 in the value of the car. And that sets an  
20 upper limit. Because you wouldn't buy  
21 something that cost more than the problem that  
22 it solves. But you might spend up to the  
23 amount of the problem.

24 And so the context was to set an  
25 upper limit of what the price could be, if it



1 captured all of the value of the  
2 inefficiencies that it could potentially  
3 eliminate. And I think if you look at what I  
4 say in the first paragraph, I make it clear  
5 that I'm talking about that particular sort of  
6 framing.

7 Q Did you also talk about inexistences  
8 where the valuation would be even higher than  
9 \$20.00?

10 A I did. And what I'm talking about  
11 here is, if you imagine a car captures all the  
12 value of the horse, but also people sometimes  
13 don't use horses because you have to feed them  
14 and they might get sick. If a car is better  
15 than the horse, it could not just capture all  
16 of the value of the horse, but we might use  
17 cars for things that we wouldn't use horses  
18 for. And so you could potentially capture  
19 value beyond the value of sort of the existing  
20 and efficiency that you displace. And I think  
21 I'm very clear about -- about that here.

22 Q Can you give us an example, but not  
23 using the car and the horse but actually using  
24 XRP?

25 A I think I do that here. I mean, I